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THE CAPITAL GROUP, INC.

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November 21, 1994

MICHAEL A. BURIK
Senior Counsel

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William Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W.
Room 222
Washington, D.C. 20554

Re: Petitions for Reconsideration and Clarification filed by the Morgan Stanley Partnerships GEN Docket No. 90-314; ET Docket No. 92-100

Dear Mr. Caton:

The Capital Group Companies, Inc. is a global investment management organization with over $150 billion of assets under management. We provide investment management services primarily to institutional clients, including mutual funds, pension funds, endowments and trusts.

We recently became aware that the Federal Communications Commission has established regulations governing the attribution of ownership interests in cellular licensees as well as ownership interests in applicants to provide personal communications services ("PCS").[1/] We also understand that certain limited partnerships affiliated with the Morgan Stanley Group Inc. ("the Morgan Stanley Partnerships") filed petitions seeking reconsideration and clarification of the Commission's rules for determining attributable interests in PCS and cellular licensees.[2/] Although we realize that the period for formal comments on the Morgan Stanley petitions has lapsed, we submit this letter for the Commission's consideration consistent with the ex parte rules.[3/]

1/ See Further Order on Reconsideration, GEN Docket No. 90-314, FCC 94-195 (released July 22, 1994) and Second Memorandum Opinion and Order, GEN Docket No. 90-314, FCC 94-218 (released Aug. 25, 1994).

2/ Petitions for Reconsideration and Clarification, filed September 6, 1994 and October 7, 1994.

3/ 47 C.F.R. 1.1206(a). To the extent that leave is required for the submission of these comments, such leave is hereby requested.

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As is explained below, we believe that the public interest is best served by attribution rules that recognize the unique character of institutional investors and the special role such investors play in the capital formation process. Thus, we respectfully urge the Commission to consider the arguments advanced by the Morgan Stanley Partnerships that suggest the wisdom of a higher attribution threshold for institutional investors.[4/]

Access to capital for potential PCS licensees is crucial to advancing the Commission's stated goals for its PCS regulatory regime (i.e., competitive delivery, a diverse array of services, rapid deployment, and wide-areas coverage). Institutional investors have become an increasingly significant source of capital for mobile services, and will be especially important to the emerging PCS industry.

Unfortunately, the Commission's attribution rules inhibit capital formation by severely limiting the level of ownership interest that any party may hold -- whether institutional investor or otherwise -- and still remain non-attributable.[5/] To the extent that institutional investment in PCS is deterred, the attribution rules will have the perverse effect of undermining the Commission's stated goals, because of the adverse impact on entrepreneurial companies and consequent advantage to larger firms.

A uniform attribution threshold would be understandable if all investors' interests in licensees were identical vis-á-vis the Commission's policy goals. However, unlike most investors, institutional investors do not, by and large, take an active role in the management of the companies whose equity securities they hold. Indeed, a range of mechanisms typically limit their ability to exercise control, such as the fiduciary or legal requirements to diversify and mutual fund charter provisions prohibiting investment for control. This idea is acknowledged in the applicable regulations of the Securities and Exchange Commission under the Securities Exchange Act of 1934, which provides designated institutional investors with an abbreviated reporting format on Form 13G for interests in excess of 5%. Similarly, to the extent the Commission seeks to limit the concentration of control, a stringent attribution standard is not warranted.

4/ We Note that the current rules reference holders of "ownership interests", which we interpret to exclude investment advisers and other entities that may have investment discretion over shares, but that lack ownership rights.

5/ The sweep of the attribution rules was expanded significantly by the Commission's Memorandum Opinion and Order released last week. This Order enlarges the scope of the collusion rules to govern the conduct of all attributable investors, in addition to applicants. Because of the stern penalties for violating these rules, passive institutional investors now have even greater reason to be wary of attribution and, therefore, investment in the PCS industry. PP Docket No. 93-253, FCC 94-295 (released November 17, 1994).

As the Morgan Stanley Partnerships point out, in the broadcast context the Commission has acknowledged the special character of institutional investors by adopting a less stringent attribution benchmark. In recognition of the importance of institutional investors to the capital formation process, the Commission is currently considering additional relaxation of its broadcast attribution rules.[6/] This recognition of the distinct nature of institutional investors should be imported into the PCS arena, where similar concerns regarding access to capital prevail.

If we may be of further assistance, please do not hesitate to contact the undersigned.

Sincerely,

Michael A. Burik
Senior Counsel

cc: Phillip L. Spector
Jon C. Garcia
Attorneys for the Morgan Stanley Partnerships

6/ See Notice of Propose Rule Making and Notice of Inquiry, MM Docket No. 92-96 (released April 1, 1992) .

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